

# Background

- Result of months of work efforts
- Developed FY17 budget to address
  - Service needs & priorities
  - CIP Project Implementation
  - Continued Capital Investment
- Does not include any impact of potential annexation- New Territory & Greatwood

# Financial Strengths

- AAA bond rating
- Clean Audit
- Financial Policies (FMPS)
- Diverse Revenue Streams
  - Economic Activity
  - Tax Base
- Very Low Tax Rate
- Stable Utility Rates

# Sales Tax Analysis

- In Texas, Sugar Land is:
  - 44th largest city by Population
  - 17th largest sales tax generator
- ~74% of sales tax revenue comes from Non-Resident or Commercial
- FMPS set max GF dependence on sales tax to 50% of operations



# Property Tax Reduction

- Our Low Tax Rate is a direct result of the Sales Tax for Property Tax Reduction approved by voters
- Compared to 1993 tax rate:
  - Required Reduction: 10.8¢
  - Actual Reduction: 18.4¢
- Benefit: sales taxes paid by non-residents result in lower tax bills

# Property Taxes

- **2016 TML Survey-**
  - 25 Cities from 65-150k
  - 2<sup>nd</sup> Lowest Tax Rate
    - Group Avg 57 Cents
- **10% Homestead Exemption**
- **\$70k OA/DP Ex**

# Property Taxes

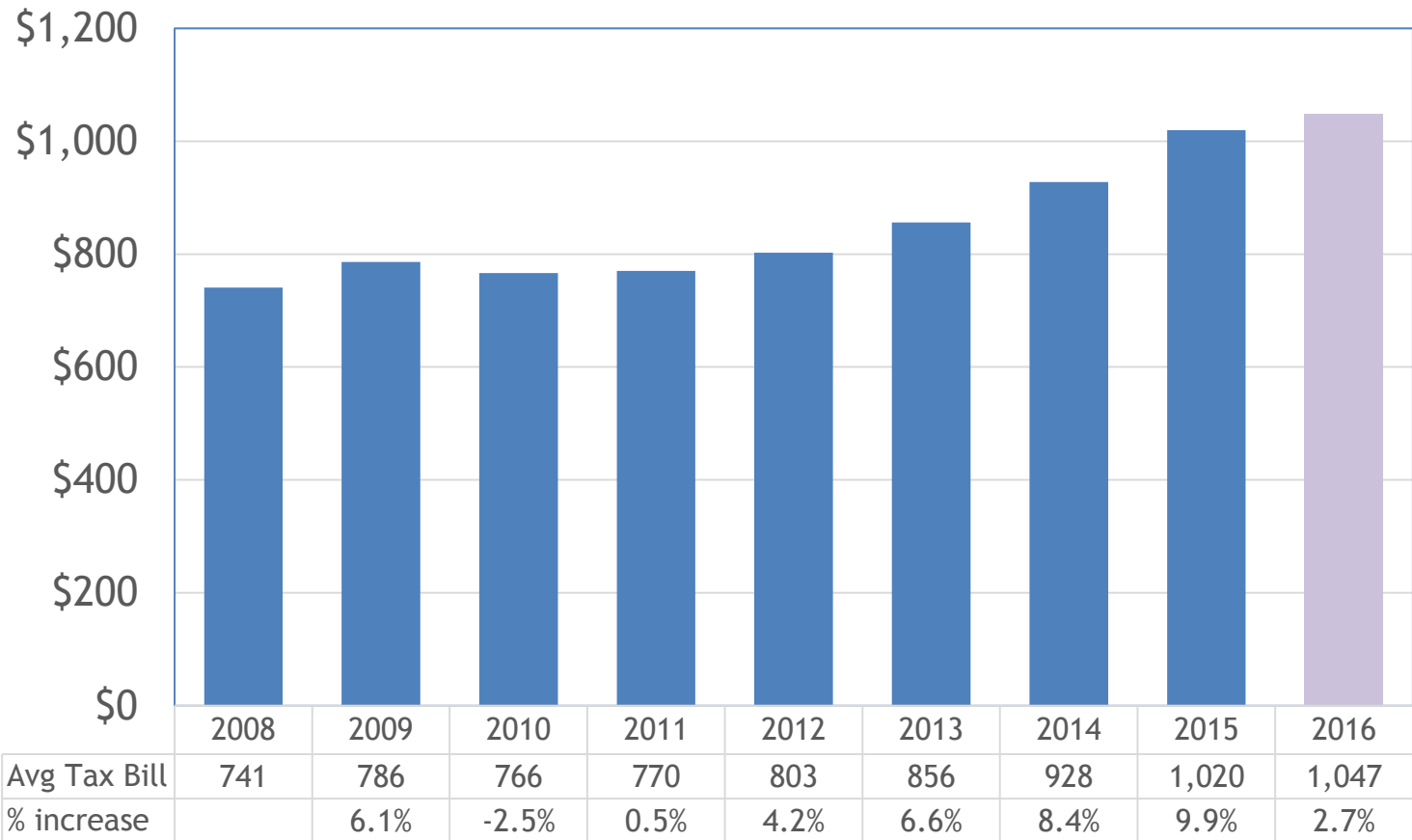
## FMPS Guidelines

- City Manager will recommend a tax rate that the City finances require...to operate efficiently, yet effectively, and meets the City Council's expectations of services provided and service levels
- The goal is not to exceed an average annual increase in the residential tax bill of 3% unless the voters approve a general obligation bond referendum



# Residential Tax Bills

## Based on Average Home Value



# FY16 Year-End

- Fund balances are anticipated to be equal to or greater than budgeted despite a slow down in the economy
  - Revenues are performing slightly lower than expected
    - Sales tax is declining, but was bolstered by a one-time payment
  - Overall expenditures are anticipated to be within current budgeted funding



# FY16 Accomplishments

## *Infrastructure*

- Capital Project have focused on street and drainage improvements
  - This investment helped mitigate the risk to the residents
- Preparedness
  - City staff were well prepared to respond to the threat of inclement weather





# Capital Project Completion



Brazos River Park  
& Festival Site





# FY17 Proposed Budget

Fund	FY17 Budget \$ Millions
General Fund	\$ 78.268
Debt Service Funds	24.124
Utility & Surface Water Funds	37.032
Airport Fund	14.664
Solid Waste Fund	5.820
Corporations	11.072
Other Funds	15.027
Total Operating Funds	\$ 186.007
Capital Projects	74.425
Total Proposed Budget	\$ 260.432



# Revenue Assumptions

- Consistent with FMPS Direction
- Sales Tax- 2.3% Decrease from 2016
- Property Taxes:
  - Revaluation Assumption
    - 5% Residential, 8% Commercial
  - 10% Homestead Exemption
    - Net 3% increase to Residential
  - Based on Current Tax Rate \$0.31595
    - Certified roll due at the end of July

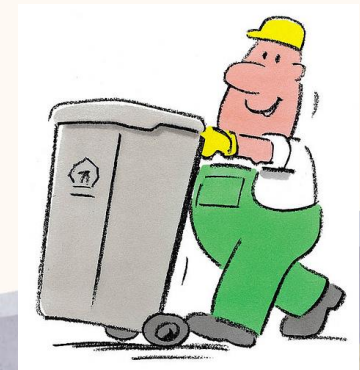
# Revenue Assumptions

- **Fees and Rates**
  - No change to water & wastewater rates (Since 2011)
  - No Change to surface water/GRP
  - General User Fees: Increase 1.3% based on CPI in most cases



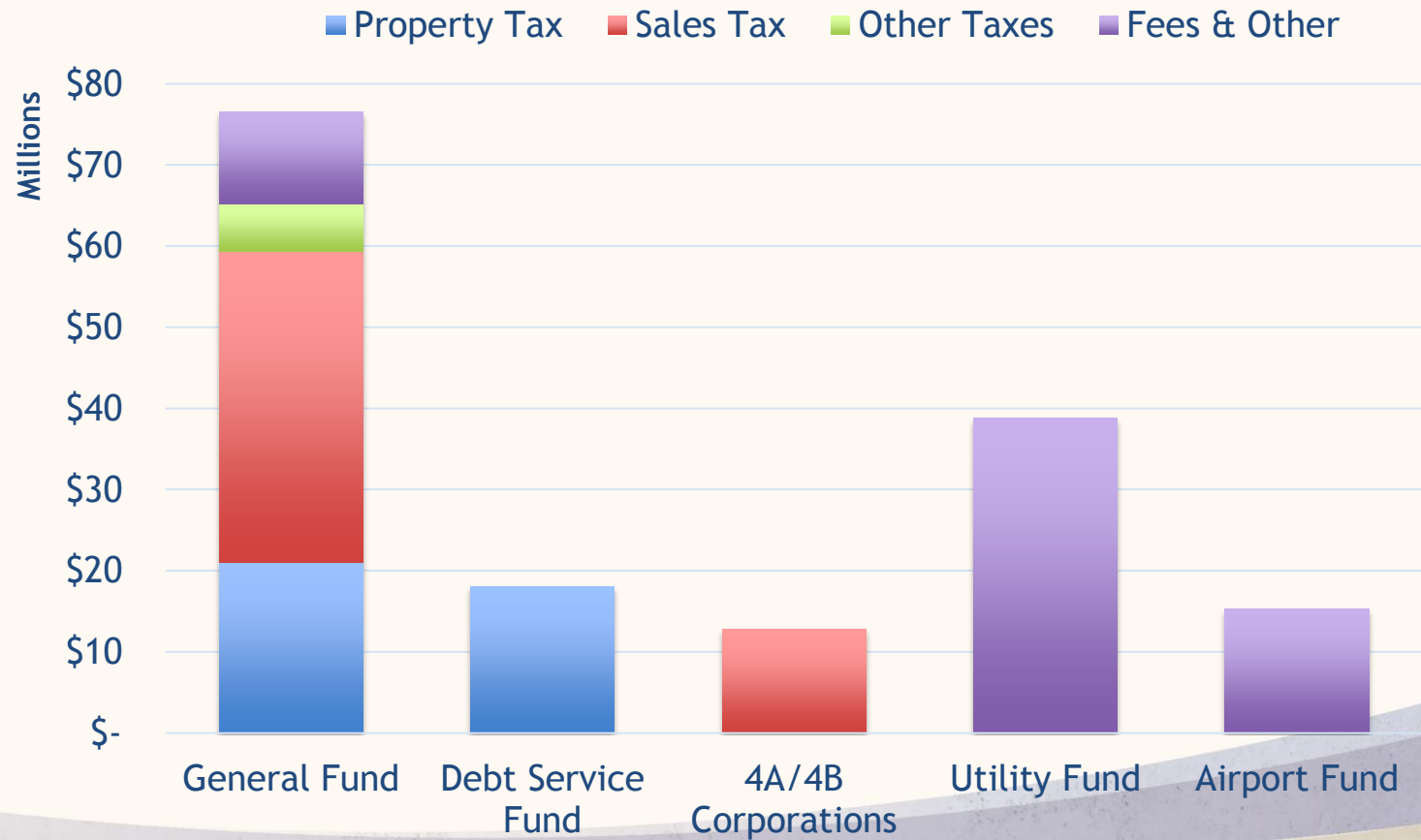
# Revenue Assumptions

- **Residential Solid Waste**
  - **Cost +2.5% based on CPI in Contract**
    - Requested additional 3% increase
    - Staff recommends 2% increase
  - **Rate Increase \$17.23 to \$18.00**
    - January 2017





# Major Revenue Sources



# **FY17 Operating Budget**

- **Funding for needs to maintain existing service levels defined in departmental business plans**
  - **\$186M Total**
    - **Cost of Doing Business**
    - **Increased Demands for Service**
    - **Implement CIP Projects**

# New Positions

Fund	Current FTE	New FTE	Proposed Budget
General	594.5	5.0	599.5
Tourism	2.5	1.0	3.5
BR Festival Site	0.0	1.0	1.0
Utility	59.0	-	59.0
Surface Water	12.5	-	12.5
Airport	44.5	1.5	46.0
Solid Waste	2.5	-	2.5
<b>Total</b>	<b>714.0</b>	<b>8.5</b>	<b>722.5</b>

**Proposed Budget: 8.23 FTE per 1,000 Residents**



# New Positions

Department	Position	FTE
Parks & Rec	Crew Chief	1.0
Parks & Rec	General Maintenance (I & II)	3.0
ENS	Sanitarian	1.0
Festival Site	Event Manager	1.0
Tourism	Visitor Services Specialist- PT (2)	1.0
Airport	Custodian	0.5
Airport	General Maintenance	1.0
<b>Total</b>		<b>8.5</b>

# General Fund Budget Additions

- **Maintain service levels**
  - Sanitarian- Current services
  - Increases due to more demand
    - Cullinan Park Annexation
- **CIP Project O&M**
  - Brazos River Park Ph II
  - Festival Site
  - TIRZ #4 Plaza

# **Park Facility Growth**

## **Increased O&M Needs**

- **TIRZ #4 Plaza**
- **Settler's Way Park**
- **Cullinan Park**
- **Brazos River Park**
- **Festival Site**
- **FCAP**

### **Additions:**

- **Crew Chief**
- **3 General Maint**
- **Truck & ATV**



# Brazos River Park & Festival Site

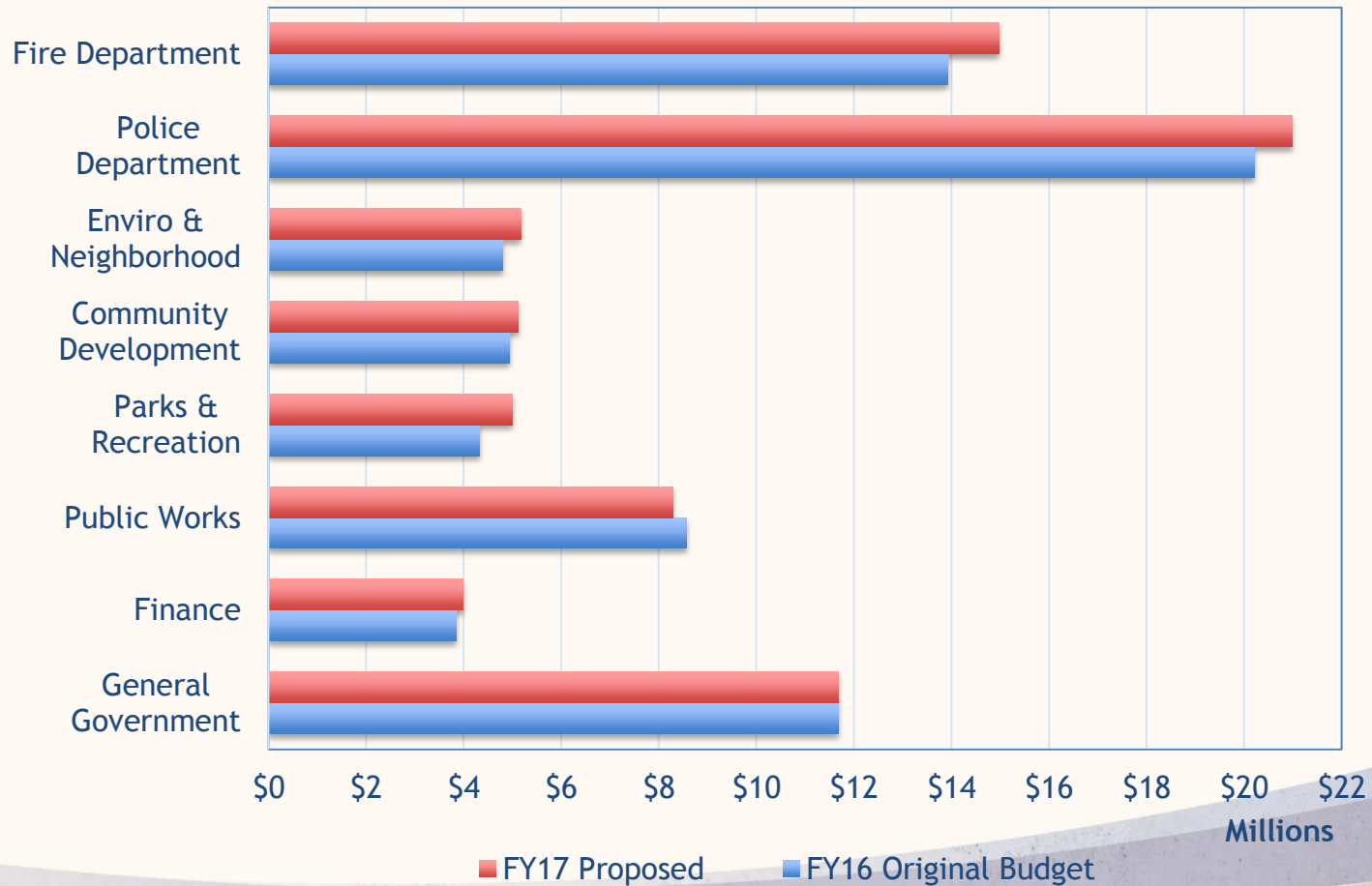
- Approved in 2013 GO Bond Election
- Maintenance funded through general property taxes
- Outside events supported through special revenue fund
  - Event Manager

# Visitors Center

- **First Visitors Center**
- **Located in Imperial Redevelopment District**
- **Adjacent to SL Heritage Museum**
- **Add 2 part-time positions plus allocate an existing position**



# General Fund Spending



# Airport

- **Mowing / Maintenance of 95 Acre Airport Tract from Prison Unit**
  - 1 General Maintenance + Mower
- **Airport to mow other tracts on a reimbursement basis**
  - Business Park - 121 Acres
  - PS Training Facil - 22 Acres
- **PT Custodian for Customer Service**

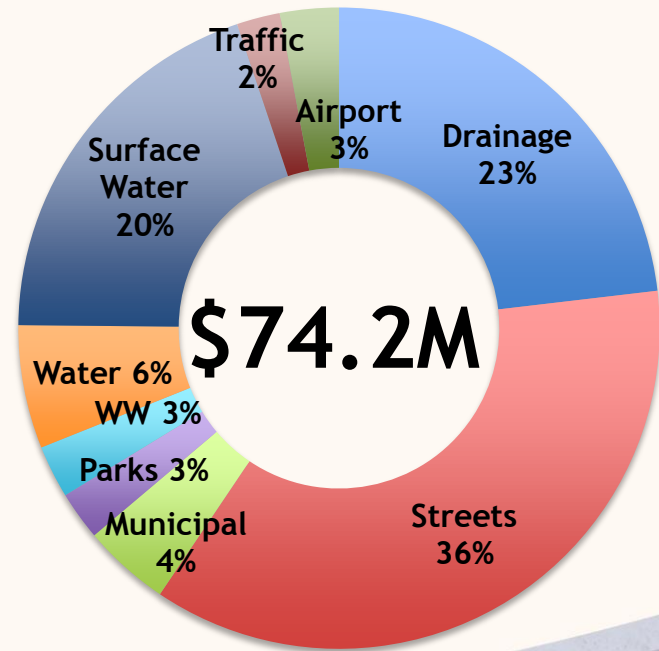


# Employee Compensation

- Pay for performance:
  - Propose a 3% merit pool
  - Effective January 1
- No Changes to Salary Structures
- Health benefits +6.2% over FY16
- Slight increase in City's TMRS contributions
  - City's Plan is 86% funded at Dec 31, 2015

# FY17 Proposed CIP

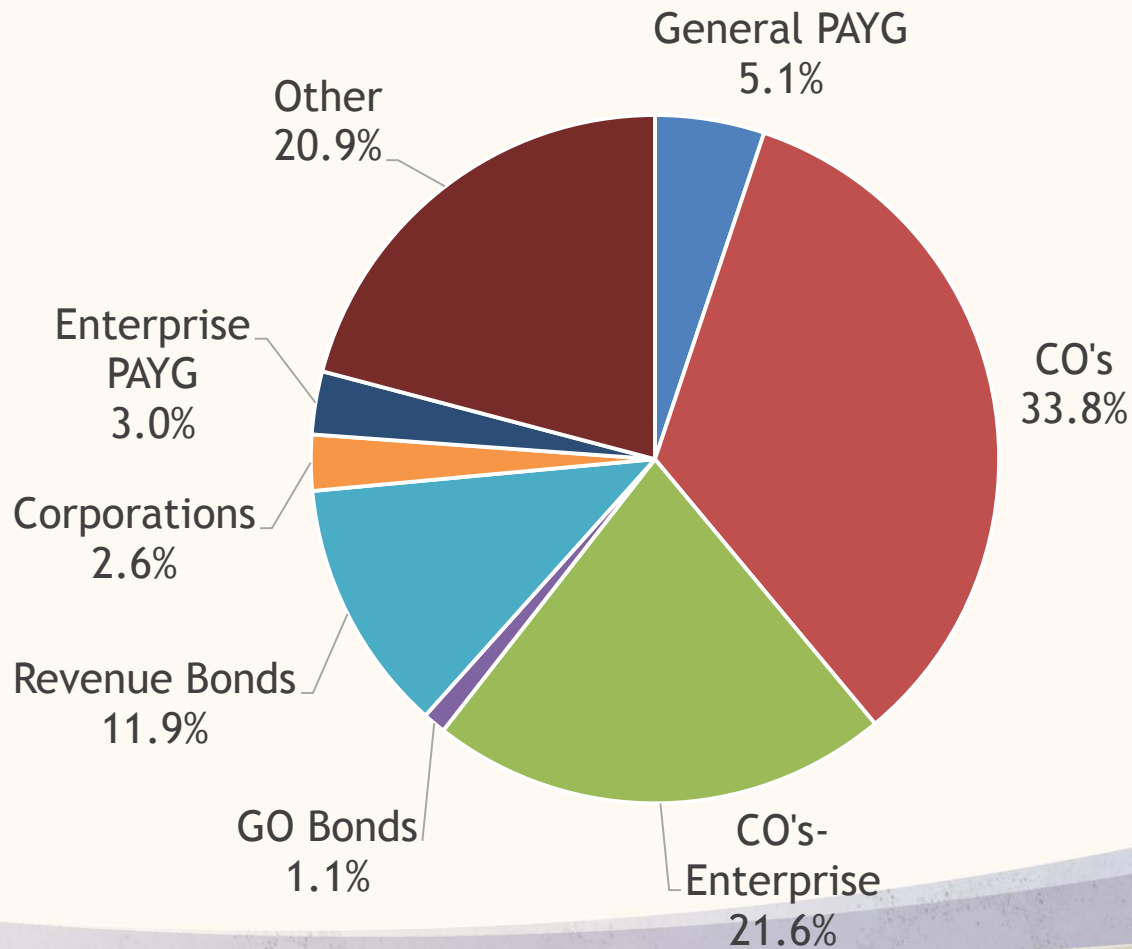
Type	Totals \$M
Municipal	\$ 3.26
Streets	26.9
Drainage	17.2
Parks	1.82
Water/ WW	6.58
Surface Water	14.62
Traffic	1.62
Airport	2.20
Totals	\$ 74.2



Plus Debt Issuance Costs

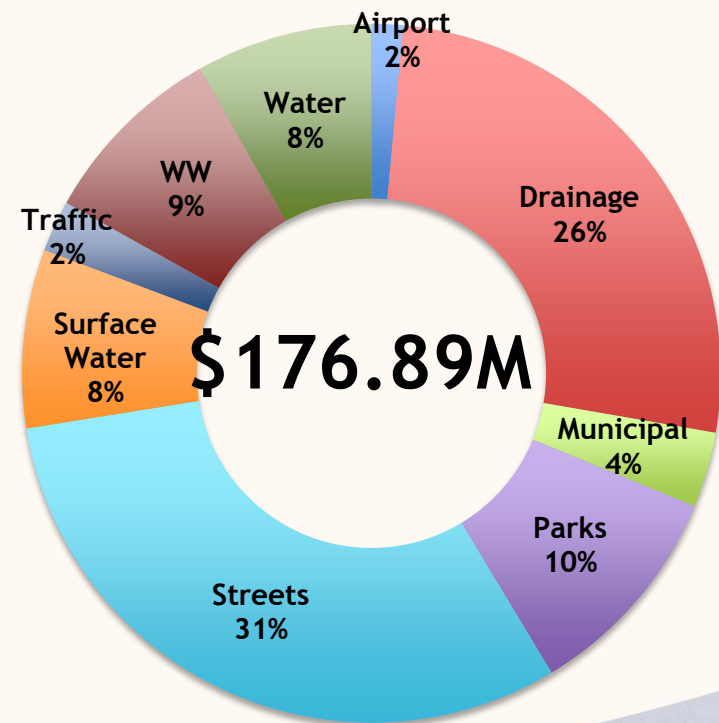


# FY17 CIP Funding Sources



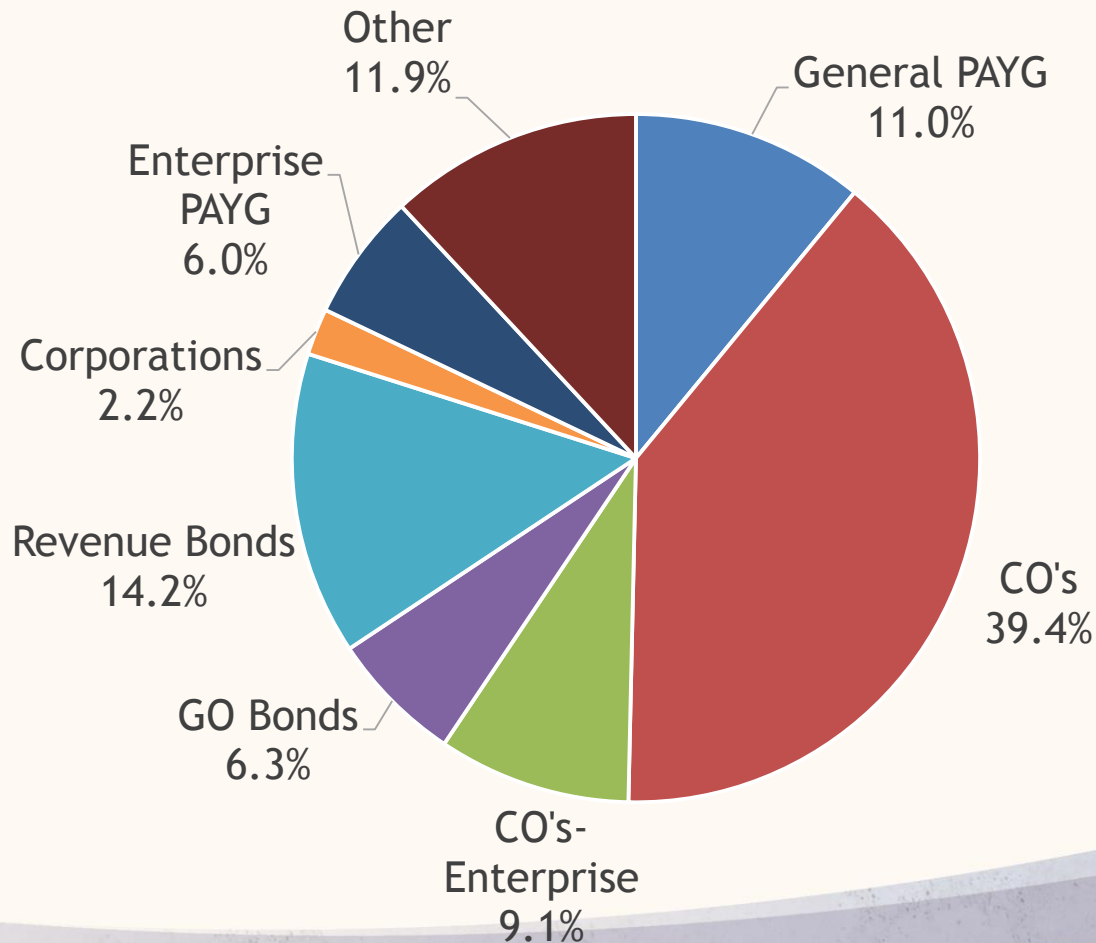
# Five Year CIP FY17-21

Type	Totals \$M
Airport	\$ 2.575
Drainage	46.474
Municipal	6.159
Parks	17.985
Streets	54.998
Surface Water	14.625
Traffic	4.200
Wastewater	15.470
Water	14.405
<b>Totals</b>	<b>\$176.89</b>





# Five Year CIP Funding Sources



# Citizen Satisfaction Survey

- Fall 2015
- Service Quality ranked high
- Citizens largely satisfied with Value for their Tax Dollar
- How do we provide high quality services while keeping the residential tax burden low?

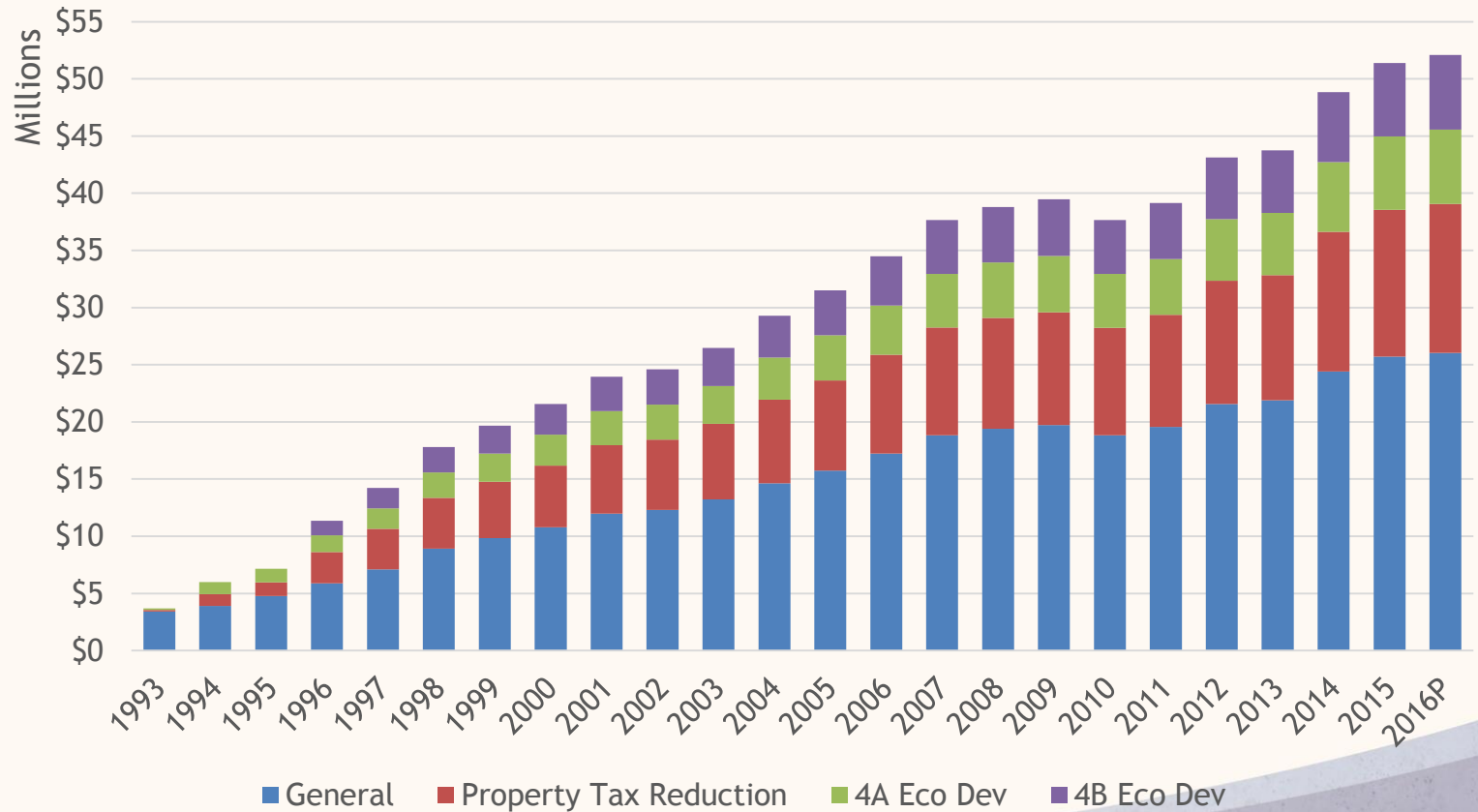
# Sales Tax Strategy

**In place over 25 years**

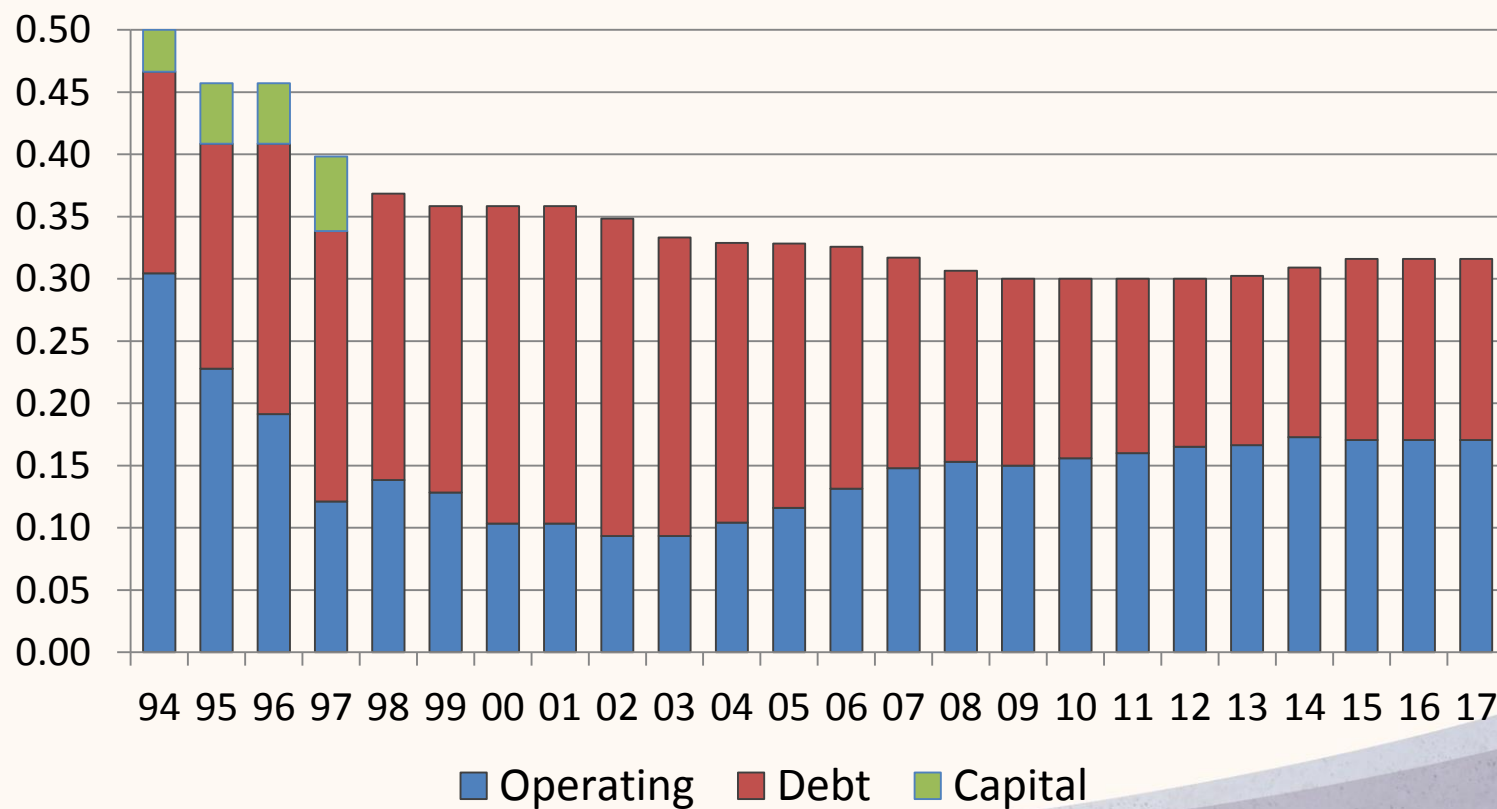
- **Sales Tax for Property Tax Reduction**
- **Sales Tax for Economic Development**
  - **Reflects City's Entrepreneurial Spirit**
  - **Bold, Longer Term Strategy**
- **How has it worked?**



# Historical Sales Tax



# Historical Tax Rate

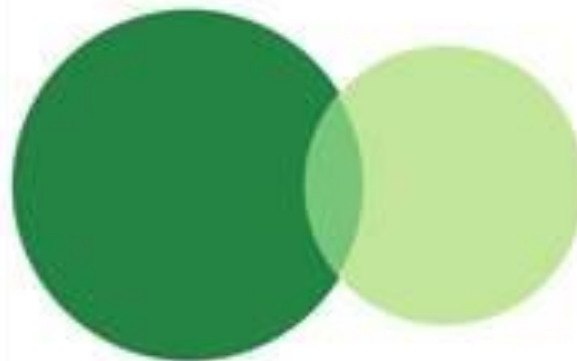




# Job Report



Inflow/Outflow Job Counts in 2014

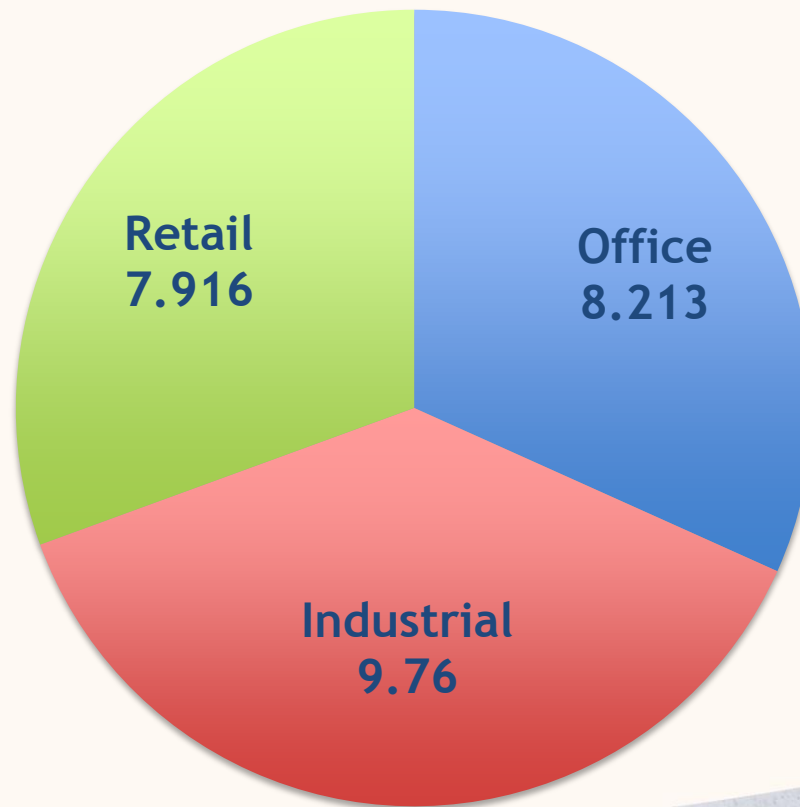


- 55,688 - Employed in Selection Area, Live Outside
- 32,885 - Live in Selection Area, Employed Outside
- 5,459 - Employed and Live in Selection Area

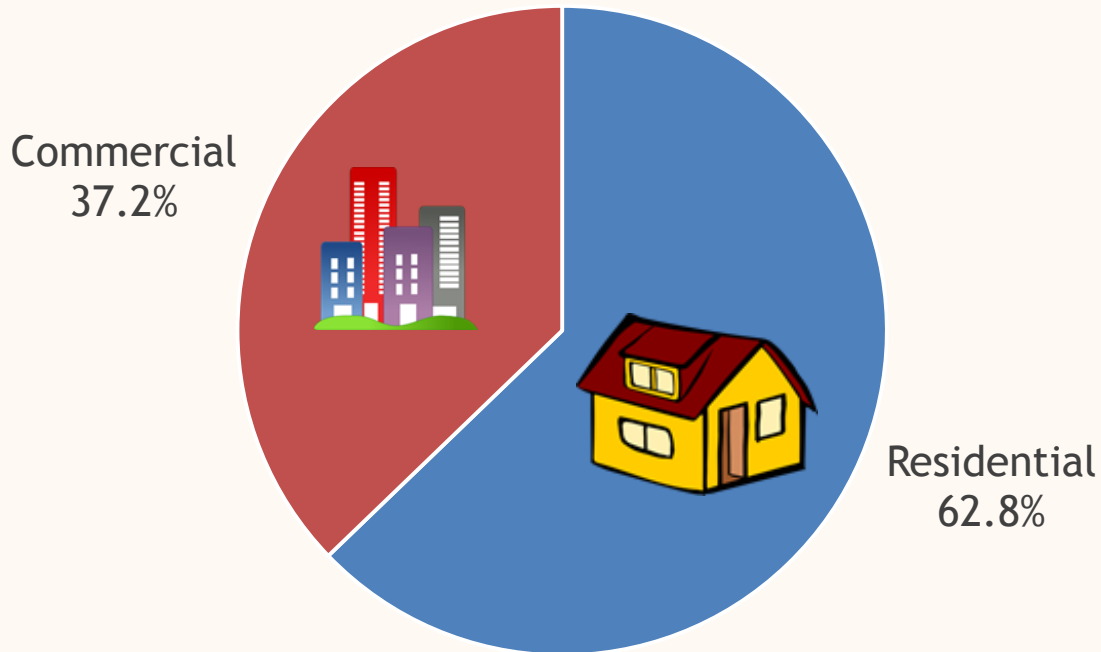


# Commercial Development

## 25.89M Square Feet



# Property Tax Sources Based on Taxable Value



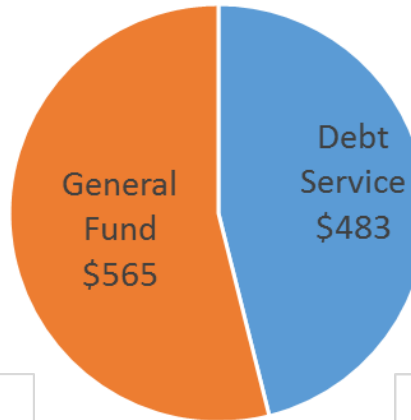
# Impact to Homeowner

2016 Est Average Home Value	\$ 368,337
Less 10% Homestead Exemption	-36,834
Taxable Value	\$ 331,503
Tax Rate per \$100	\$0.31595
Estimated Tax Bill	\$1,047
Over 65/Disabled Tax Bill	\$826

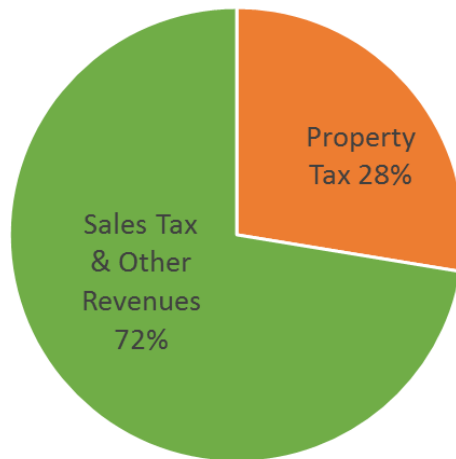


# Where does the money go?

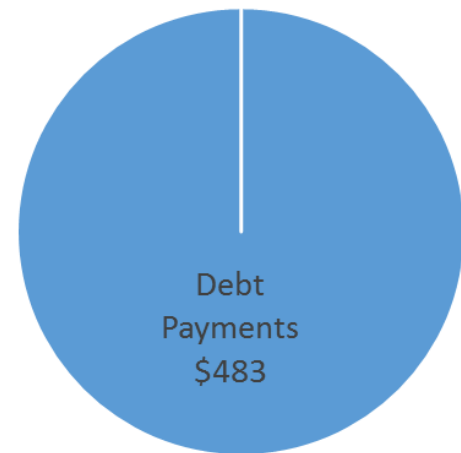
Average Tax Bill \$1,047



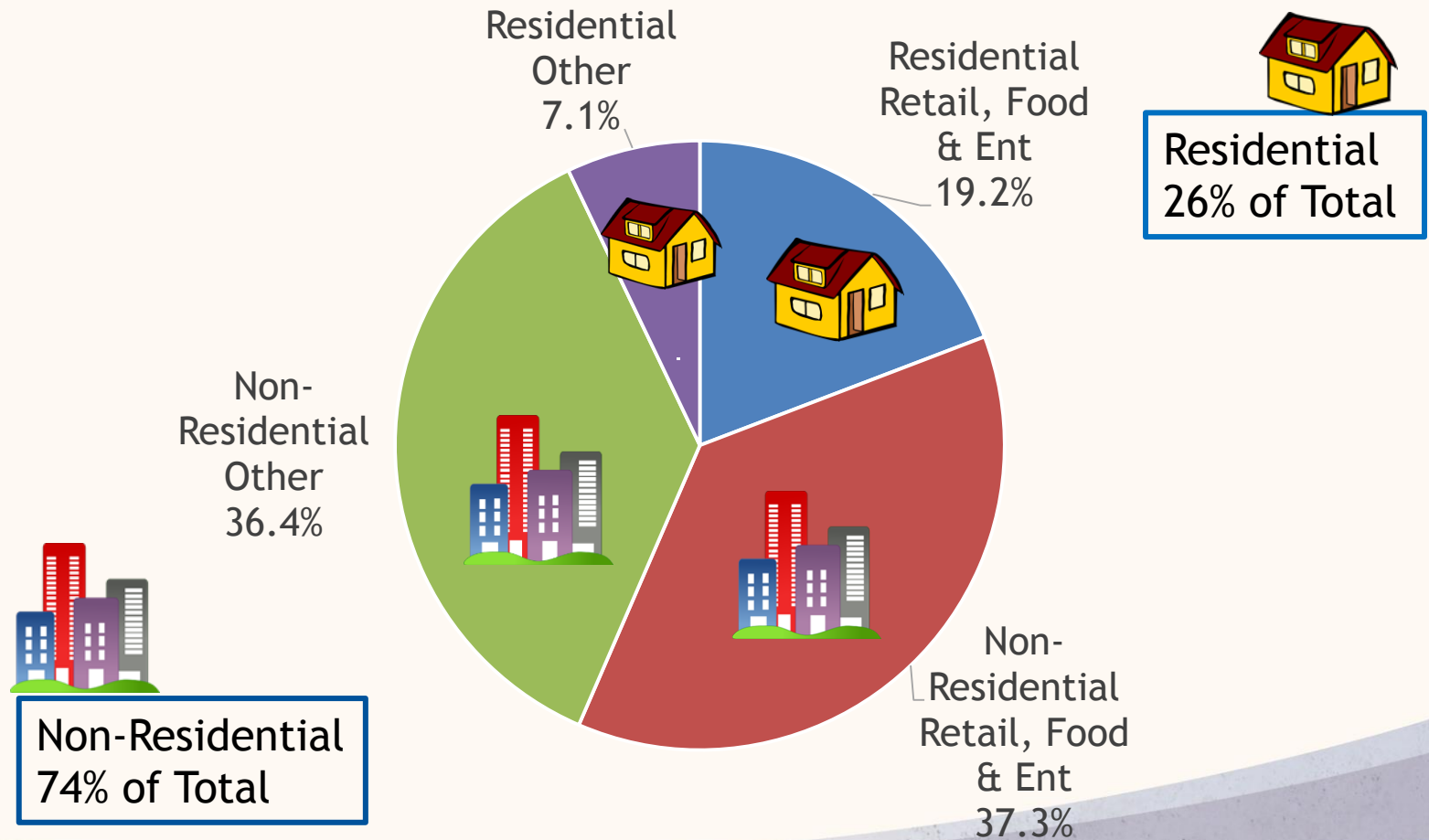
Services per Household \$2,048



Debt Payments



# Sales Tax Sources



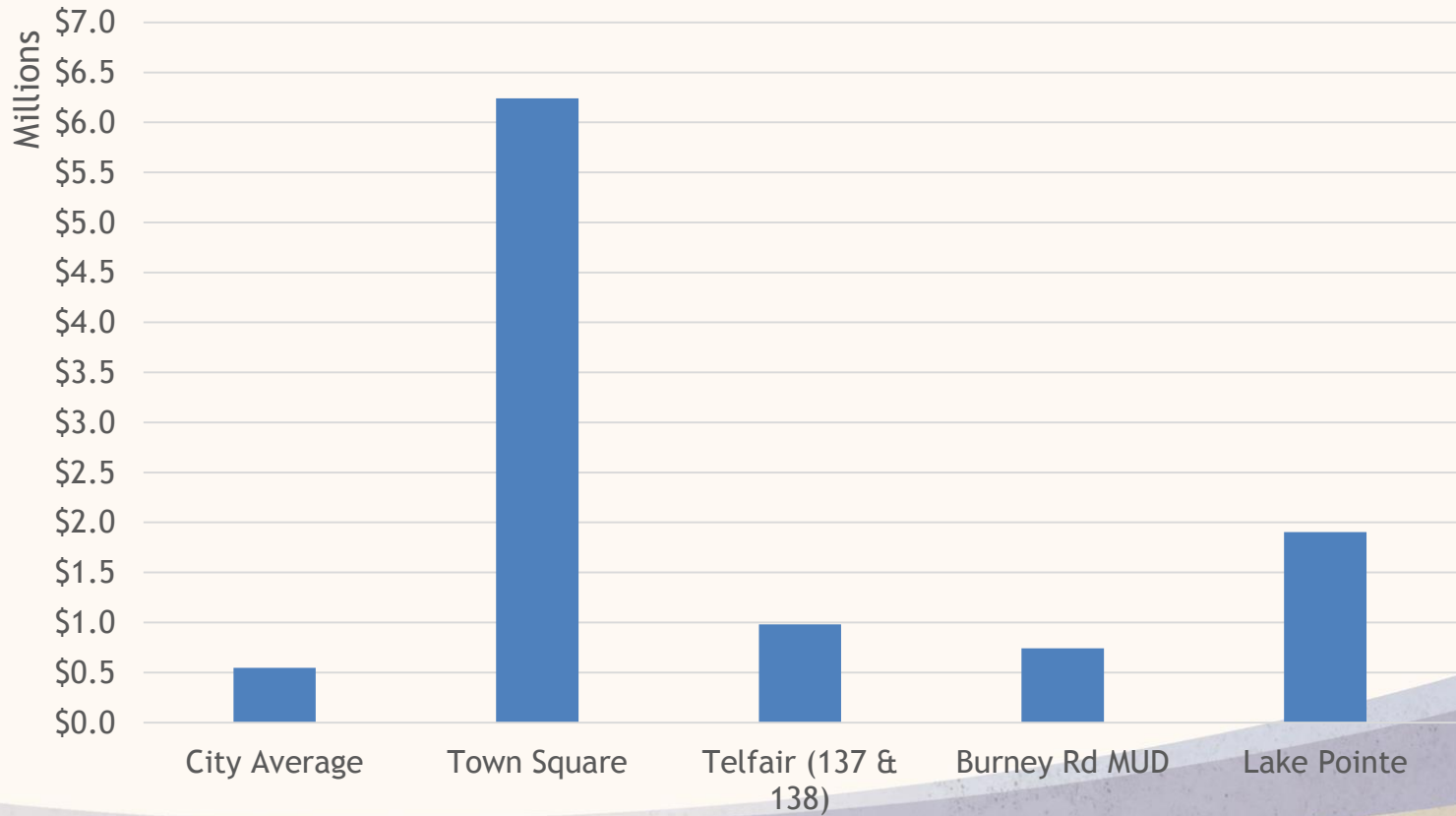
# Looking Forward

- **Need to Maintain Public Support**
  - Economic Development Incentives and Programs
  - Public Private Partnerships
  - Land uses that produce high taxable values
- **Manage Reliance on Sales Tax**

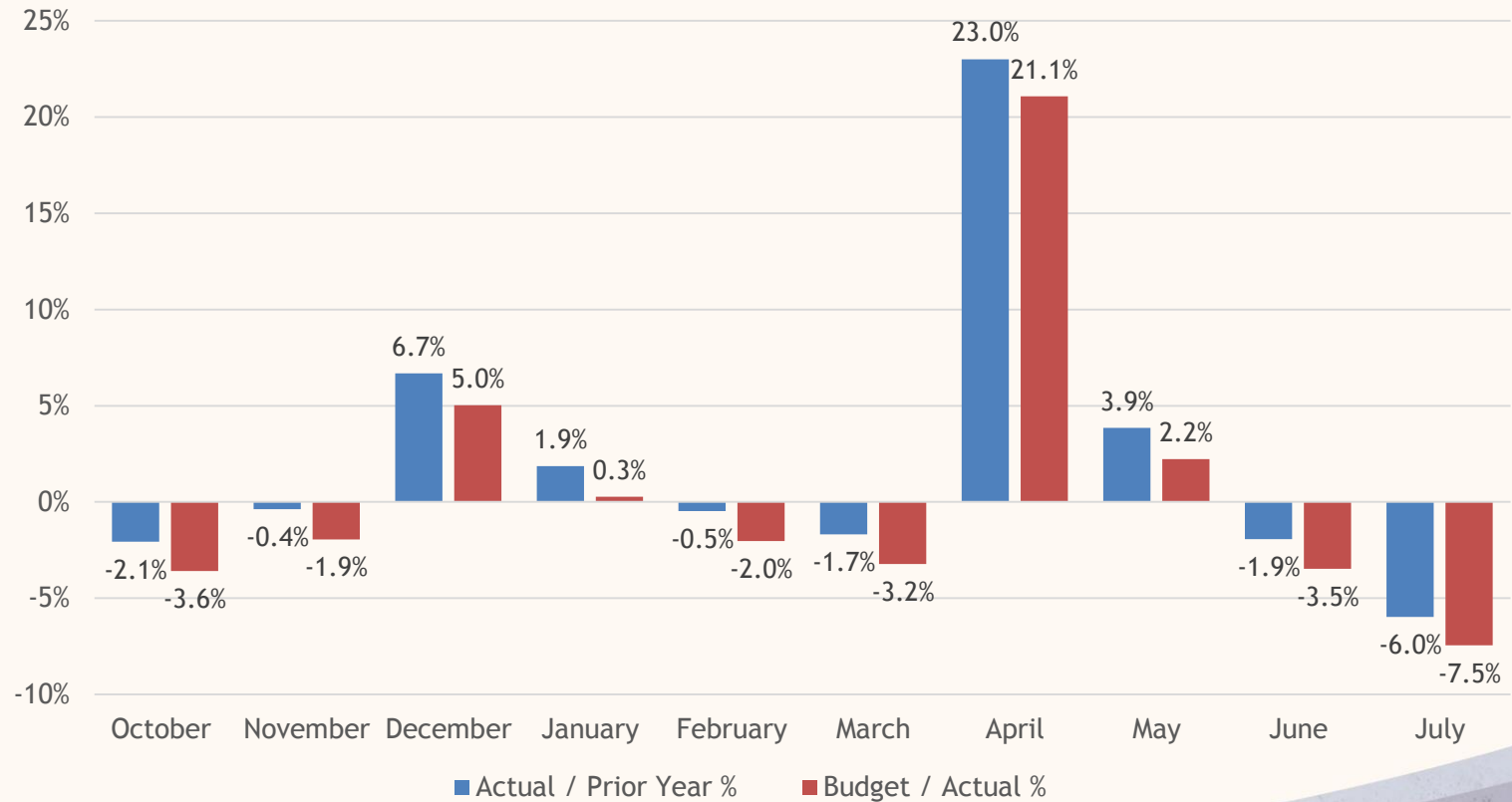


# Taxable Value per Acre

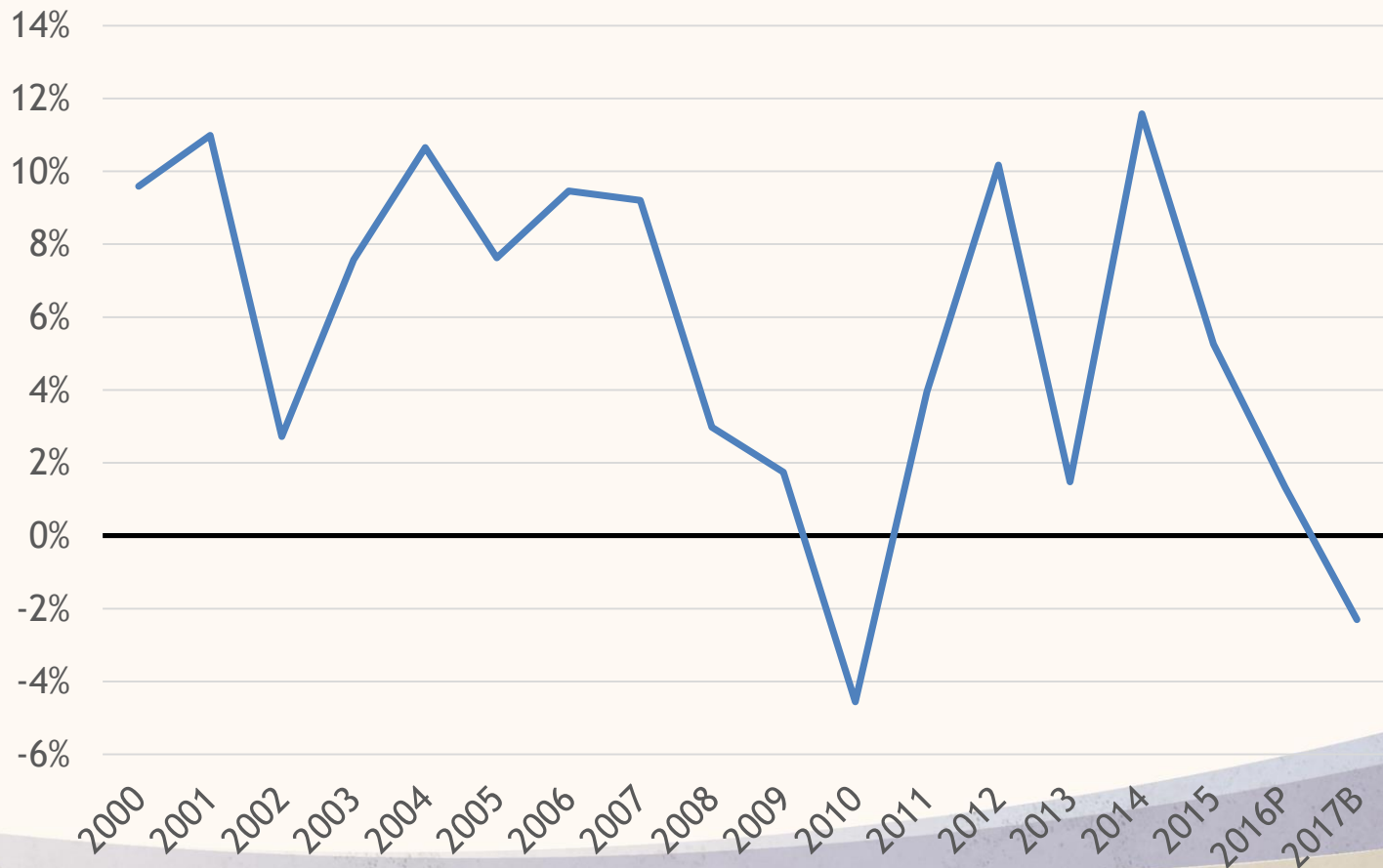
2016 Preliminary Values



# Sales Tax Trends



# Annual Growth in Sales Tax





# Upcoming Projects

- **Prison Property**
- **Imperial Market**
- **Smart Financial Centre**
- **Hotel/Conference Center**
- **Telfair Commercial (TIRZ #4)**

# Key Dates

Date	Action
Aug 16	Public Hearing on Proposed Budget
Aug 23	Public Hearing on Tax Rate Public Hearing on PID Assessment
Sept 6	Public Hearing on Tax Rate Amend FY16 Budget
Sept 20	Approve FY17 Budget, CIP & Comp Plans Adopt 2016 Tax Rate Adopt Fee Ordinance

# Budget Workshops

## 7:30-9:30 am

Date	Topic
Aug 4	Enterprise Funds- Utility, Surface Water Airport, Solid Waste
Aug 11	Property Tax & Debt Service
Aug 18	General Fund
Aug 25	Capital Projects
Sep 1	Other Funds, Compensation & Benefits, Tourism, Corporations



# Questions?



**CITY OF SUGAR LAND**